

Dockets Nos. 8-88 and 9-88 are tentatively set for March 16 and March 30, 1988. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 2, 1988

8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Michael E. Stogner, Examiner, or David R. Catanach, Alternate Examiner:

- CASE 9317: Application of Yates Petroleum Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Sunny Side Unit Area comprising 11,189.87 acres, more or less, of State and Fee lands in Township 10 South, Ranges 26 and 27 East. Said area is located approximately 8 miles north-northeast of Bottomless Lake State Park.
- CASE 9318: Application of Yates Drilling Company for a secondary recovery project, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a secondary recovery project by the injection of water into the Queen formation in its proposed Cactus Queen Unit Area (Division Case No. 9319) underlying portions of Sections 26, 27, 34, and 35, Township 12 South, Range 31 East, Southeast Chaves Queen Gas Area Associated Pool, (which is an area that straddles State Highway No. 172 between Milepost Nos. 26.5 and 27.5).
- CASE 9319: Application of Yates Drilling Company for statutory unitization, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of establishing a secondary recovery project, all mineral interests in the Southeast Chaves Queen Gas Area Associated Pool underlying 560 acres, more or less, of State, Federal, and Fee lands in portions of Sections 26, 27, 34, and 35, Township 12 South, Range 31 East. Said area straddles State Highway No. 172 between Milepost Nos. 26.5 and 27.5. Said unit is to be designated the Cactus Queen Unit Area. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of the credits and charges to be made among the various owners in the unit area for their investment in well and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including, but not necessarily limited to, unit voting procedures, selection, removal, or substitution of unit operator, and time of commencement and termination of unit operations.
- CASE 9320: Application of Yates Petroleum Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 16, Township 24 South, Range 35 East, Undesignated Cinta Roja-Morrow Gas Pool, all of said Section 16 to be dedicated to the well, forming a standard 640-acre gas spacing and proration unit for said pool. Said location is approximately 6 miles south-southeast of the San Simon Sink.
- CASE 9308: (Continued from February 17, 1988, Examiner Hearing)
- Application of Marshall Pipe and Supply Company for an unorthodox gas well location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 990 feet from the South line and 660 feet from the West line (Unit M) of Section 23, Township 2 South, Range 29 East, to test all formations and/or pools developed on 320-acre spacing from the surface to the base of the Ordovician System, the S/2 of said Section 23 to be dedicated to the well. Said location is approximately 4.5 miles east-northeast from the point common to Roosevelt, Chaves, and De Baca Counties.
- CASE 9309: (Continued from February 17, 1988, Examiner Hearing)
- Application of Marshall Pipe and Supply Company for an unorthodox gas well location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 330 feet from the North line and 1980 feet from the East line of Section 34, Township 2 South, Range 29 East, to test all formations and/or pools developed on 320-acre spacing from the surface to the base of the Ordovician System, the N/2 of said Section 34 to be dedicated to the well. Said location is approximately 3.5 miles east by north from the point common to Roosevelt, Chaves, and De Baca Counties.
- CASE 9321: Application of Marshall Pipe and Supply Company for compulsory pooling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Ordovician formation underlying the N/2 of Section 34, Township 2 South, Range 29 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing. Said well is to be drilled at a proposed unorthodox gas well location (to be considered in Case 9309) 330 feet from the North line and 1980 feet from the East line (Unit B) of said Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for

supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well. Said well location is approximately 3.5 miles east by north from the point common to Roosevelt, Chaves, and De Baca Counties.

CASE 9322: Application of Metex Pipe and Supply for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location for its State "P" Well No. 3 to be drilled 100 feet from the North line and 1520 feet from the East line (Unit B) of Section 24, Township 21 South, Range 34 East, Wilson Yates-Seven Rivers Pool, the NW/4 NE/4 of said Section 24 to be dedicated to the well forming a standard 40-acre oil spacing and proration unit. Said location is approximately 1 mile south of NM 176 at Milepost 27.4.

CASE 9323: Application of Ralph E. Williamson for a non-standard oil proration unit and simultaneous dedication, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 56.19-acre non-standard oil spacing and proration unit comprising Lots 8 and 9 of Section 35, Township 26 South, Range 29 East, Brushy Draw-Delaware Pool, to be simultaneously dedicated to its Stateline Federal Well No. 1 located in Lot 8 and to its Stateline Federal Well No. 2 to be located at a previously approved unorthodox location 610 feet from the South line and 990 feet from the West line in Lot 9 of said Section 35. Said unit is located approximately 1 mile east of where the Pecos River crosses the New Mexico/Texas Stateline.

CASE 9324: Application of Amoco Production Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Gavilan-Mancos Oil Pool underlying Lots 3 and 4, S/2 NW/4, and SW/4 of Section 5 and all of Section 6, both in Township 25 North, Range 2 West, which is a non-standard oil spacing and proration unit for said pool previously approved by Division Order No. R-8268. Said unit is to be dedicated to its Hill Trust Federal Com. Well No. 1 to be drilled at a standard location 1660 feet from the North line and 1680 feet from the West line (Unit F) of said Section 5. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said location is approximately 3/4 of a mile west of the Ojito Post Office.

CASE 9314: (Readvertised)

Application of Nearburg Producing Company to Amend Division Order No. R-6933, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authorization to re-enter and deepen to the Morrow formation the Santa Fe Exploration Company Gulf Com. Well No. 1 located at an unorthodox gas well location 660 feet from the North and West lines (Unit D) of Section 14, Township 20 South, Range 25 East, previously approved by Division Order No. R-6933, as amended. Applicant also seeks to rescind the production limitation factor provisions of said Order. This well is located approximately 5.5 miles west by south of Seven Rivers, New Mexico.

CASE 9325: Application of Enron Oil & Gas Company for amendment of special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to amend the special pool rules promulgated by Division Order No. R-3161 for the Cinta Roja-Morrow Gas Pool in Township 24 South, Range 35 East, to include a provision for 320-acre infill drilling and appropriate findings relative thereto. Said pool is located approximately 6 miles south-southeast of the San Simon Sink.

CASE 9310: (Continued from February 17, 1988, Examiner Hearing)

Application of Sun Exploration and Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to either the base of the Morrow formation or to a depth of 13,700 feet, whichever is deeper, underlying the N/2 of Section 26, Township 18 South, Range 33 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools with this vertical extent being developed on 320-acre spacing, to be dedicated to a well to be drilled at a standard gas well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said location is approximately 6 miles west of the old Hobbs Army Air Corps Auxiliary Airfield No. 4.

CASE 9303: (Readvertised)

Application of Penroc Oil Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Undesignated Mid Vacuum-Devonian Pool in the perforated interval from 11,850 feet to 12,200 feet in its State "AF" Well No. 2 located 330 feet from the South line and 2130 feet from the East line (Unit O) of Section 8, Township 18 South, Range 35 East. Said well is located approximately 4 miles south-southeast of Buckeye, New Mexico.

CASE 9326: (Continued from March 2, 1988, Examiner Hearing)

Application of Sun Exploration and Production Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gavilan-Mancos Oil Pool underlying all of Section 26, Township 26 North, Range 2 West, to form a standard 640-acre oil spacing and proration unit in said pool. Said unit is to be dedicated to the Sun Exploration and Production Company Wildfire Well No. 1 located 900 feet from the South line and 1650 feet from the West line (Unit N) of said Section 26 which is presently completed in and producing from the Gavilan-Mancos Oil Pool. Also to be considered will be the method for cost allocation and participation thereof as well as actual operating costs and charges for supervision. Applicant further requests that Sun Exploration and Production Company remain as operator of the well and that the effective date of any order issued in the case be retroactive to June 8, 1987. Said well is located approximately 4.5 miles east-northeast of the Ojito Post Office.

CASE 9323: (Continued from March 2, 1988, Examiner Hearing)

Application of Ralph E. Williamson for a non-standard oil proration unit and simultaneous dedication, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 56.19-acre non-standard oil spacing and proration unit comprising Lots 8 and 9 of Section 35, Township 26 South, Range 29 East, Brushy Draw-Delaware Pool, to be simultaneously dedicated to its Stateline Federal Well No. 1 located in Lot 8 and to its Stateline Federal Well No. 2 to be located at a previously approved unorthodox location 610 feet from the South line and 990 feet from the West line in Lot 9 of said Section 35. Said unit is located approximately 1 mile east of where the Pecos River crosses the New Mexico/Texas Stateline.

CASE 9331: Application of Phillips Petroleum Company for a non-standard gas proration unit and unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 660 feet from the North and West lines (Unit D) of Section 22, Township 17 South, Range 35 East, to test the South Shoe Bar-Atoka Gas Pool and the Morrow formation, said well to be dedicated either to a 160-acre non-standard gas proration and spacing unit consisting of the N/2 SW/4 and W/2 NW/4 of said Section 22, or in the alternative, to an 80-acre non-standard gas proration and spacing unit consisting of the W/2 NW/4 of said Section 22. Said location is approximately 3.5 miles Northeast by East of Buckeye, New Mexico.

CASE 9327: (Continued from March 2, 1988, Examiner Hearing)

Application of Dugan Production Corporation for an order pooling all mineral interests in the Gavilan-Mancos Oil Pool underlying a certain 640-acre tract of land or, in the alternative, for a non-standard 320-acre oil proration unit in said pool and compulsory pooling therein, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gavilan-Mancos Oil Pool underlying all of Section 22, Township 26 North, Range 2 West, to form a standard 640-acre oil spacing and proration unit for said pool. Said unit is to be dedicated to the Amoco Production Company Seifert Gas Com "A" Well No. 1 located 940 feet from the South line and 990 feet from the east line (Unit P) of said Section 22 which is presently completed in and producing from the Gavilan-Mancos Oil Pool and dedicated to a previously approved 320-acre non-standard oil spacing and proration unit (see Rule 2(a) as promulgated by Division Order No. R-7407-E) underlying the E/2 of said Section 22. Also to be considered will be the cost of participation in the well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Applicant further requests that Amoco Production Company remain as operator of the well and that the effective date of any order issued in the case be made retroactive to June 8, 1987. IN THE ALTERNATIVE, applicant seeks an order pooling all mineral interests in the Gavilan-Mancos Oil Pool underlying the W/2 of said Section 22, thereby forming a non-standard 320-acre oil spacing and proration unit for said pool, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered in this particular matter will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of the applicant as operator of the well and unit and a charge for risk involved in drilling said well. This area is located approximately 11 miles north of Lindrith, New Mexico.

CASE 9332: Application of Terra Resources, Inc. for compulsory pooling and an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow Formation underlying the E/2 of Section 22, Township 14 South, Range 27 East, Undesignated Springer Basin Atoka-Morrow Gas Pool, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing to be dedicated to a well to be drilled at an unorthodox gas well location 330 feet from the South and East lines (Unit P) of said Section 22. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said location is approximately 6.5 miles East-Southeast of Hagerman, New Mexico.

CASE 9333: Application of Terra Resources, Inc. for compulsory pooling, unorthodox gas well location, and an exception to special pool rules, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow Formation underlying the N/2 of Section 22, Township 15 South, Range 27 East, Undesignated Buffalo Valley-Pennsylvanian Gas Pool, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing to be dedicated to a well to be drilled at an unorthodox gas well location 1650 feet from the North line and 660 feet from the East line (Unit H) of said Section 22. Applicant further seeks exception to the special rules for the Buffalo Valley-Pennsylvanian Gas Pool for the completion of its well in the NE/4 of Section 22 at said unorthodox location. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said location is approximately 10 miles Southeast of Hagerman, New Mexico.

CASE 9334: Application of Union Texas Petroleum for a non-standard oil proration unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for an 80-acre non standard oil proration unit comprising the N/2 SW/4 of Section 2, Township 25 North, Range 3 West, West Lindrith Gallup-Dakota Oil Pool, to be dedicated to its McCroden "C" Well No. 1 located at a standard location 2146 feet from the South line and 1650 feet from the West line (Unit K) of said Section 2. Said well is located approximately 1.75 miles West by South of the Ojito Post Office.

CASE 8371: (Readvertised)
In the matter of Case No. 8371 being reopened pursuant to the provisions of Division Order No. R-7783 which promulgated temporary special rules and regulations for the Burton Flat-Upper Strawn Pool, Eddy County, New Mexico, including a provision for 160-acre spacing units. Operators is the subject pool may appear and show cause why the Burton Flat-Upper Strawn Pool should not be developed on 40-acre proration units.

CASE 9294: (Readvertised)
Application of Nearburg Producing Company for compulsory pooling, unorthodox gas well location, and a non-standard gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Four Mile Draw-Morrow Gas Pool underlying Lots 1 and 2, the E/2 NW/4, and the NE/4 of Section 7, Township 19 South, Range 26 East, to form a non-standard 318.85-acre gas spacing and proration unit for said pool, to be dedicated to a well to be drilled at an unorthodox location 1980 feet from the North line and 660 feet from the West line (Unit E) of said Section 7. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said location is approximately 11 miles south of Artesia, New Mexico.

CASE 9314: (Continued from March 2, 1988, Examiner Hearing)

Application of Nearburg Producing Company to Amend Division Order No. R-6933, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authorization to re-enter and deepen to the Morrow formation the Santa Fe Exploration Company Gulf Com. Well No. 1 located at an unorthodox gas well location 660 feet from the North and West lines (Unit D) of Section 14, Township 20 South, Range 25 East, previously approved by Division Order No. R-6933, as amended. Applicant also seeks to rescind the production limitation factor provisions of said Order. This well is located approximately 5.5 miles west by south of Seven Rivers, New Mexico.

CASE 9324: (Continued from March 2, 1988, Examiner Hearing)

Application of Amoco Production Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Gavilan-Mancos Oil Pool underlying Lots 3 and 4, S/2 NW/4, and SW/4 of Section 5 and all of Section 6, both in Township 25 North, Range 2 West, which is a non-standard oil spacing and proration unit for said pool previously approved by Division Order No. R-8268. Said unit is to be dedicated to its Hill Trust Federal Com. Well No. 1 to be drilled at a standard location 1660 feet from the North line and 1680 feet from the West line (Unit F) of said Section 5. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said location is approximately 3/4 of a mile west of the Ojito Post Office.

CASE 9272: (Continued from March 2, 1988, Examiner Hearing)

In the matter of Case No. 9272 being reopened upon application of Arco Oil and Gas Company to reconsider the provisions of Division Order No. R-8579, issued in said Case No. 9272, which granted the application of Mitchell Energy Corporation to compulsorily pool all mineral interests below the top of the Wolfcamp formation underlying the following described acreage in Section 3, Township 15 South, Range 35 East, Lea County, New Mexico, and in the following described manner: